

Message Text

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ACTION AID-59

INFO OCT-01 EUR-12 EA-06 ISO-00 EB-07 XMB-02 AGR-05 L-02

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 7700

INFO AMEMBASSY THE HAGUE

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EO 11652: N/A

TAGS: EAID ID

SUBJ: IGGI-17

REF: JAKARTA 4480

1. BAPPENAS CHAIRMAN WIDJOJO INVITED AMBASSADOR FOR MEETING ON APRIL 21. B S ARIFIN, DIRECTOR GENERAL OF FOREIGN ECONOMIC AFFAIRS, DEPARTMENT OF FOREIGN AFFAIRS ON INDONEIANS SIDE AND AGRICULTURAL ATTACHE AND USAID DIRECTOR ON US SIDE ALSO PRESENT. WE HAD ANTICIPATED THAT SESSION WOULD BE PRIMARILY ON PENDING PL 480 AGREEMENT, BUT IS WAS INSTEAD ANNUAL PRE-IGGI CONSULTATION

2. WIDJOJO SAID GOI HOPED THAT WHAT WAS CUSTOMARILY ACHIEVED AT TWO IGGI MEETINGS IN YEAR COULD BE SUCCESSFULLY TELESOPED INTO SINGLE IGGI-17 THIS YEAR IBRD REPORT UNDERSTOOD TO HAVE BEEN ISSUED IN WASHINGTON LAST FRIDAY. REPORT WOULD EXPLAIN CONTINUED CAPITAL INFLOW REQUIREMENT OF ABOUT \$2 BILLION ANNUALLY, DIVIDED INTO FOUR CATEGORIES OF BILATERAL ODA; IBRD/ADB; EXPORT CREDITS; AND COMMERCIAL CREDITS ASSOCIATED WITH EXPORT CREDITS. NOT LESS THAN 75 PERCENT OF TOTAL SHOULD BE FROM FIRST THREE CATEGORIES.

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ODA COMPENENT WAS IMPORTANT IN DETERMINING OVERALL QUALITY

OF AID AND WOULD BE MAJOR FACTOR IN DEFINING DEBT SERVICE PROFILE AND ASSURING NET INFLOW OF CAPITAL FOR REASONABLE PERIOD. GOI HOPED TO OBTAIN (A) ENDORSEMENT OF CAPITAL INFLOW REQUIREMENT BOTH AS TO OVERALL AMOUNT AND COMPOSITION BY CATEGORY OF TERMS; AND (B) STATEMENT OF DONOR INTENTIONS.

3. WIDJOJO SAID HE WAS ENCOUNTERING DIFFICULTIES IN CONVINCING IGGI MEMBERS MAKE ANNOUNCEMENT CONCERNING EXPORT CREDIT INTENTIONS, AND WAS WORRIED THAT THERE WOULD BE APPEARANCE OF GAP IF OVERALL REQUEST MET ONLY WITH INDICATION ODA. ACCORDINGLY WIDJOJO URGED US INCLUDE BOTH ODA AND EXPORT CREDITS IN STATEMENT OF INTENT.

4. RE ODA WIDJOJO SAID INDONESIA DID NOT EXPECT CONCESSIONAL AID TO CONTINUE AS IN PAST. SOME DONORS, LIKE AUSTRALIA, HAD ALREADY INDICATED INTENTION TO MAINTAIN AID LEVELS IN REAL TERMS. OTHERS WOULD BE MAKING ADJUSTMENTS EITHER IN LEVEL OF TERMS OF AID OR BOTH. PROGRAM AID NO LONGER EXPLICITLY REQUESTED AND JUSTIFIED BUT TO EXTENT THIS FORM OF ASSISTANCE MORE CONVENIENT FOR DONORS IT WELCOME AS SUPPORT FOR GOI'S SAGGING F/X RESERVE POSITION.

5. AMBASSADOR RESPONDED BY NOTING THAT US HAD MADE SUBSTANTIAL EFFORT OVER PAST YEAR UNDER CIRCUMSTANCES IN WASHINGTON ADVERSE TO FURTHER AID. WE HOPE THAT IF WE ARE ABLE TO CONTINUE CONCESSIONAL AID, THIS WILL BE SEEN AS A MAJOR ACCOMPLISHMENT UNDER PRESENT CONDITIONS AND EVIDENCE OF CONTINUING US SUPPORT AND CONCERN RE INDONESIAN DEVELOPMENT ASPIRATIONS. PROBLEMS OF INDONESIAN IMAGE IN US STEMMED FROM COMPLEX FACTORS INCLUDING INDONESIAN STATUS AS OPEC MEMBER, US ECONOMIC RECESSION, AND PERTAMINA DIFFICULTIES. WE HAVE DONE OUR BEST TO ASSURE BALANCED PERSPECTIVE IN WASHINGTON, AND HOPE THAT US STATEMENT AT IGGI, ALTHOUGH NOT LIKELY TO INCLUDE SPECIFIC AID PLEDGE, WILL STILL BE SEEN AS REFLECTING CONTINUED HIGH LEVEL OF US INTEREST AND SUPPORT FOR INDONESIA. THERE HAD ADMITTEDLY BEEN CHANGED CIRCUMSTANCES OVER THE PAST YEAR WITH AN IMPACT ON THE AID-GIVING ENVIRONMENT, BUT, CONTRARY TO WHAT MANY INDONESIANS SEEM TO BELIEVE, LIMITED OFFICIAL USE

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THERE HAD BEEN NO CHANGE IN BASIC US POLICY TOWARDS INDONESIA. PRESIDENT FORD HAD AFFIRMED HIS PERSONAL UNDERSTANDING AND SUPPORT FOR INDONESIA, NOTABLY IN HIS EFFORT TO REVERSE THE ADVERSE PROVISIONS OF THE TRADE REFORM ACT AND IN HIS SUPPORT FOR WORLD BANK AND ADB LENDING TO INDONESIA.

6. WIDJOJO ACKNOWLEDGED THE DIFFICULTIES FACED BY THE

US AND EXPRESSED APPRECIATION FOR EFFORTS WE HAD MADE. HE SUGGESTED US PROGRAM CONCENTRATE ON SOCIAL SECTORS AND RURAL DEVELOPMENT IN ORDER MAXIMIZE ATTRACTIVENESS TO CONGRESS.

7. COMMENT. WIDJOJO EVIDENCED GOOD UNDERSTANDING DIFFICULTIES US FACES IN PROVIDING AID TO INDONESIA, BUT NONETHELESS FIRMLY ASSERTED CLAIM FOR CONTINUED CONSIDERATION. TRUST HIS WISHES WILL BE TAKEN INTO MAXIMUM FEASIBLE ACCOUNT IN DECIDING US POSTURE AT FORTHCOMING IGGI MEETING.

8. ON BASIS MEETING WITH WIDJOJO, IT BECOMES PARTICULARLY IMPORTANT FOR US TO GO AS FAR AS WE CAN IN ENDORSING CONCLUSIONS WORLD BANK REPORT AND IN ACCEPTING POSITIVELY GOI APPROACH TO DEVELOPMENT FINANCING, AS PROPOSED PREVIOUSLY, POSITIVE LANGUAGE ON FUTURE EXIM LENDING ALSO VERY IMPORTANT. DECON 10/22/75. NEWSOM

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